

***KOKE'E AND WAIMEA CANYON STATE PARK MASTER PLAN:  
EVALUATION OF MANAGEMENT OPTIONS FOR CABINS***

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*PREPARED FOR:*

**Department of Land and Natural Resources  
State of Hawaii**

*PREPARED BY:*

**Decision Analysts Hawai'i, Inc.**

**September 2004**

# CONTENTS

<b>1. OVERVIEW OF MANAGEMENT OPTIONS AND COMPARATIVE ADVANTAGES.....</b>	<b>1</b>
a. Introduction.....	1
b. Option 1: State Management.....	2
c. Option 2: Private Collection.....	2
d. Option 3: Private Management, Short Leases.....	3
e. Option 4: Private Management, Rentals & Short Leases.....	4
f. Option 5: Mixed Management.....	5
g. Best Management Option.....	6
<b>2. ASSUMPTIONS AND INTERMEDIATE CALCULATIONS.....</b>	<b>7</b>
a. Number of Cabins by Historic Value and Current Condition.....	7
b. Use of Cabins.....	7
c. Duration of Leases.....	7
d. Renegotiation Years.....	8
e. Average Occupancy.....	8
f. Average Daily Rates.....	8
g. Average Annual Revenues Per-Unit, Initial Year.....	8
h. Cost of Improvements Prior to Initial Leases.....	9
i. Cost of Improvements Prior to Subsequent Leases.....	9
j. Initial Cost of Equipment and Furnishings, Short-term Rentals.....	9
k. Lease Income Paid to the State.....	10
l. Employment, Payroll and Overhead.....	10
m. Annual Per-Unit Cost of Goods and Services.....	10
n. Taxes.....	11
o. Annual Appreciation and Inflation.....	11
p. Discount Rates.....	11

**TABLES**

1. Koke'e and Waimea Cabins: Summary of Management Options
2. Assumptions and Intermediate Calculations
3. State Management (Option 1)
4. Private Collection (Option 2)
5. Private Management, Short Leases (Option 3)
6. Private Management, Rentals & Short Leases (Option 4)

# **KOKE'E AND WAIMEA CANYON STATE PARK MASTER PLAN: EVALUATION OF MANAGEMENT OPTIONS FOR CABINS**

Presented below is a brief economic analysis of options for managing recreational residences (cabins) at the Koke'e and Waimea Canyon State Parks. The analysis was prepared to provide information to the Board of Land and Natural Resources (BLNR) to allow them to choose among various options so as to maximize public benefits. Throughout the analysis, it is assumed that public benefits are advanced by: (1) increasing the number of Hawai'i residents using the cabins; (2) increasing economic benefit as measured by jobs and payroll, net revenues to the State and County, and profits to Hawai'i businesses; (3) improving the quality of the resources and facilities; and (4) assigning an equitable sharing of costs for operation and management (O&M) and support services.

## **1. OVERVIEW OF MANAGEMENT OPTIONS AND COMPARATIVE ADVANTAGES**

### **1.a. Introduction**

Table 1 presents a summary evaluation for five management options: (1) State Management; (2) Private Collection; (3) Private Management, Short Leases; (4) Private Management, Rentals and Short Leases; and (5) Mixed Management. The evaluation covers: (1) defining features of each management option; (2) the approximate net present value (NPV) to the State, along with a corresponding annualized value; (3) the approximate NPV to a private Management Company (if applicable), along with a corresponding annualized value; (4) the approximate change in NPV from Option 1, along with a corresponding annualized value; and (5) a summary of advantages for the management option compared to Option 1 (the baseline option).

The NPV is the estimated current value of a future stream of net revenues (revenues less expenses). In effect, it is the value of a State or corporate bond that could be amortized with the projected stream of net revenues over a 20-year period. The corresponding annualized value is the annual debt service (principal and interest) on the bond assuming equal annual payments.



For Management Options 1 and 4, Table 2 shows the assumptions and intermediate calculations for projecting revenues and expenditures, and for determining NPVs. The assumptions and intermediate calculations for Options 2, 3 and 5 are not shown since these options are variations of Options 1 and 4. Table 3, 4, 5 and 6 show projected revenues and expenditures for Options 1, 2, 3 and 4, respectively.

For all Management Options, it is assumed that lessees would be charged a fair-share of the cost of providing support services (e.g., water service, road maintenance, etc.). The net fiscal impacts to the State and/or a private Management Company would be near zero and, therefore, are not shown in the tables. However, services and their costs are expected to be greater under Private Management.

All figures shown in the text and tables are approximate, based on available information and best estimates.

### **1.b. Option 1: State Management**

For the State Management option, the BLNR would lease each cabin in its current condition to the family submitting the highest acceptable bid. Thus, the State would manage 105 separate leases. Each family would be responsible for renovating or replacing cabins as needed. For the cabins that are in good condition, short 5-year leases are assumed since this would allow each cabin to be leased four times in a 20-year period and, in turn, would give more families access to the cabins. However, long leases are assumed for cabins in poor condition in order to provide sufficient use to justify the costly renovation or replacement.

The assumptions for this option are shown in Table 2, and projected revenues and expenditures are shown in Table 3. As summarized in Table 1, the NPV to the State and the annualized value for this option are estimated at about \$10.75 million and \$863,000, respectively.

### **1.c. Option 2: Private Collection**

The option of Private Collection is similar to Option 1, except that the State would use the services of a private company (i.e., Agent) to collect lease rents and monitor compliance with specified terms of the cabin leases (e.g., the cabins are not to be used as full-time homes).

Assumptions for this option are: (1) 15% management fee (which is sufficient to fund two property managers, overhead, and profit); (2) profit of 10% of gross revenues to the Agent; and (3) State oversight management by a single employee spending half-time on the effort. All other assumptions for this option are as shown the first column of Table 2; the resulting revenues and expenditures are shown in Table 4.

Compared to Option 1, this option would reduce the NPV to the State by about \$461,000, and would reduce the annualized value by about \$37,000 per year (see Table 1). The NPV to the Agent would be about \$188,000, with an annualized value of about \$18,000.

A variation of this option, which is not shown in Table 1, would be for the BLNR to lease for a 20-year period all of the cabins in their current condition to a single Master Lessee. In turn, the Master Lessee would sublease the cabins in their current condition to individual families. The duration of each sublease would depend on the condition of the cabin: short leases for cabins in good condition, and long leases for ones in poor condition. The net effect would be similar to Option 2, but the net return to the Management Company probably would be higher, and the net return to the State lower, because of the uncertainty about future rents from sublessees. In order to reduce the risks of an unprofitable venture in the event of low bids by sublessees, management companies would submit bids for the Master Lease that would provide an adequate cushion (i.e., additional profit) to compensate for the risks.

#### **1.d. Option 3: Private Management, Short Leases**

For the option of Private Management, Short Leases, the BLNR would lease for a 20-year period all of the cabins in their current condition to a single Master Lessee. In turn, the Master Lessee would renovate or replace the cabins, and then sublease them to individual families for a period of 5 years. A 20-year lease for the Master Lessee would provide sufficient time to recover major expenditures on cabin improvements. The Master Lease and the subleases for individual cabins, would be allocated to the highest bidders.

The assumptions for this option are as shown in Table 2 for Private Management, except that the number of short-term rentals is zero instead of 30. The resulting revenues and expenditures for Option 3 are shown in Table 5.

The major advantage of Private Management is that the Management Company would have the flexibility to renovate or replace cabins as needed without the costs and delays associated with: (1) obtaining Legislative and executive

approvals to expend funds on the improvements; and (2) complying with the State's qualifying, bidding and contracting process. And since all of the cabins would be improved, all of them could be subleased for shorter periods, thereby giving more families access to the cabins.

Compared to Option 1, this option would increase the NPV to the State by about \$839,000, and increase the annualized value by about \$67,000 per year (see Table 1). The State would realize higher net revenues because of higher lease rents, excise tax on lease rents, and reduced State effort on property management. Higher lease rents would reflect the leasing of improved cabins instead of cabins that need renovation or replacement, and the likelihood of better private marketing to increase community awareness of the opportunity to bid on the cabin leases. At the end of the Master Lease, the State would inherit cabins in good condition.

The NPV to the Management Company would be about \$989,000, with an annualized value of about \$93,000.

A slight variation of this option, which is not shown in Table 1, would be to have staggered leases so that about 20 cabins become available for lease each year. This would provide families more frequent opportunities to bid on the cabins while also allowing DLNR to better monitor the value of the leases over time.

#### **1.e. Option 4: Private Management, Rentals & Short Leases**

This option is similar to Option 3, except that a cluster of about 30 cabins near the existing lodge in Koke'e would be made available for short-term rentals. The detailed assumptions and intermediate calculations for Option 4 are shown in Table 2, while resulting revenues and expenditures for both the Management Company and the State are shown in Table 6.

Based on the existing rental cabins in Koke'e, a family could rent a cabin for up to 5 nights a month. And to insure affordability, it is assumed that the daily rent would be discounted to a rate approved by the State. The combination of short-term rentals and affordable rates would allow many more families to have access to the cabins (on the order of 50 families per year for each rental, or about 1,500 families per year for the assumed 30 rentals).

Compared to Option 1, this option would increase the NPV to the State by about \$2.858 million, and increase the annualized value by about \$229,000 per

year (see Table 1). The State would realize much higher net revenues because short-term rentals would generate higher revenues and correspondingly higher lease rents than would rents from cabins that are leased to individual families. Also, short-term rents are subject to both the State excise tax and to the Transient Accommodations Tax (TAT). Each additional rental would increase the NPV to the State by about \$67,000, and would increase the annualized value by about \$5,400.

The NPV to the Management Company would be about \$2.867 million, with an annualized value of about \$271,000. Each additional rental would increase the NPV to the Management Company by about \$63,000, and would increase the annualized value by about \$5,900. The change in NPV is lower for the Management Company than it is for the State, while the change in the annualized value is higher: this is due to different discount rates (5% for the State and 7% for the Management Company).

Although not estimated in Tables 1 and 6, visitors staying in the rental cabins would increase sales at the Koke'e Lodge store and restaurant which, in turn, would result in an increase in percentage lease rent paid to the State by the company that manages the Lodge.

The addition of 30 short-term rentals would also increase employment by about six jobs (about one job per five rentals). These employees would pay personal income taxes to the State, and their expenditures would be subject to State excise taxes.

A variation of this option would be to extend the discount on daily rates to Hawai'i residents only (i.e., charge kama'aina rates), and charge full market rates to visitors from outside Hawai'i. This would increase net returns to both the State and the Management Company. Also, the higher market rates would discourage some visitors from using the cabins, thereby making more of them available to Hawai'i residents.

#### **1.f. Option 5: Mixed Management**

Under the Mixed Management option, the State would (1) lease cabins in their current condition to individual families who in turn would renovate or replace the cabins (Option 1 or 2), and (2) lease about 30 cabins to a single lessee for use as short-term rentals (Option 4). The advantages would reflect a corresponding mix of the options.

### **1.g. Best Management Option**

Based on the criteria listed in the opening paragraph, Option 4 (Private Management, Rentals & Short Leases), combined with the variations of staggered subleases and kama'aina rates for short-term rentals, would provide the greatest public benefits. This option would:

- Maximize the number of Hawai'i residents using the cabins due to (1) the short-term rentals at discounted rental rates for Hawai'i residents, (2) short lease periods that would allow more subleasing of the cabins, and (3) staggered subleases that would make some cabins available for lease each year.
- Maximize economic benefit as measured by jobs and net payroll (about six additional jobs due to the short-term rentals), net revenues to the State, and profits (i.e., NPV) to the Master Lessee.
- At the end of the Master Lease, the State would inherit cabins in good condition.
- Lessees would be charged a fair share of the cost of providing support services.

## **2. ASSUMPTIONS AND INTERMEDIATE CALCULATIONS**

Detailed assumptions for Options 1 and 4 are presented in Table 2 and discussed below.

### **2.a. Number of Cabins by Historic Value and Current Condition**

The first section of Table 2 presents the approximate number of cabins by historic value and current condition. The ratings correspond to the extent of improvements needed: cabins in good condition require few renovations, cabins in moderate condition require more renovation, and cabins in poor condition require extensive renovation or replacement.

### **2.b. Use of Cabins**

For Option 4, this section of Table 2 gives the assumed number of cabins that will be used for short-term rentals by the condition of the cabin. The remaining cabins would be used for long-term leases. In actual practice, it makes little difference which cabin are selected for short-term rentals since all short-term rentals are expected to rent for about the same amount. Furthermore, if a cabin is in good condition, then the Master Lessee will have low renovation costs while paying high lease rents to the State. But if a cabin is in poor condition, then the Master Lessee will have high renovation or replacement costs while paying low lease rents on the cabin.

### **2.c. Duration of Leases**

For State Management, the durations of the leases are assumed to range from 5 to 20 years. As noted previously, short 5-year leases are assumed for cabins in good condition. This would allow the leasing of each cabin four times in a 20-year period and, in turn, would allow more families to have access to the cabins. However, long leases are assumed for cabins in poor condition in order to justify costly renovation or replacement.

For Private Management, a 20-year duration is assumed for the Master Lease. This would provide sufficient time for the Master Lessee to recover major expenditures on cabin improvements. Subleases of improved cabins to individual families is assumed to run 5 years, thereby allowing more families to have access to the cabins.

#### **2.d. Renegotiation Years**

As indicated in Table 2, 20-year leases would be subject to renegotiation of the lease rent.

#### **2.e. Average Occupancy**

It is expected that bidders for leased cabins will base their bids on anticipated use and the value of the use. For 5-year leases, the assumed use is based on an average 40% occupancy (i.e., about 4.8 months per year). This is a relatively high rate that reflects the novelty of a new acquisition. For longer leases, the assumed use is expected to diminish to about 35% occupancy (i.e., about 4.2 months per year).

Occupancy of short-term rentals is expected to average about 90%—a relatively high rate that reflects a discount from market rates.

#### **2.f. Average Daily Rates**

For short-term rentals, the initial market rate is estimated at about \$120 per day based on similar rentals in Hawai'i and the mainland (see Table 2). This rate is then discounted 25% to \$90 per day to insure affordability.

For leases, it is assumed that initial bidders value cabins at about \$85 per day after renovation or replacement, \$75 per day for cabins in good condition, \$60 per day for cabins in moderate condition, and \$40 per day for cabins in poor condition. These are rough estimates based on (1) a discount from commercial rentals, (2) historic Koke'e lease rents appreciated to 2007, and (3) estimates of the underlying property values.

#### **2.g. Average Annual Revenues Per-Unit, Initial Year**

This section of Table 2 shows the annual gross returns from each type of cabin for the initial year of operations. For State management, initial annual revenues range from an estimated low of about \$5,110 for a cabin in poor condition to \$10,950 for a cabin in good condition. These rents are for cabins in their current condition.

Under Private Management, initial revenues per rental cabin are estimated at about \$29,565 per year, reflecting the higher occupancy and higher daily rates for rentals. When subleased, annual revenues per cabin are estimated at about

\$12,410 per year. The higher lease rent under private management reflects (1) the leasing of cabins that have been improved from their current condition and (2) the likelihood of better marketing by a private company to increase community awareness of the opportunity to bid on the cabin leases.

## **2.h. Cost of Improvements Prior to Initial Leases**

For Private Management, the Master Lessee would renovate or replace the cabins before subleasing them to individual families. As mentioned above, the major advantage of Private Management is that the Managing Company would have the flexibility to renovate or replace cabins as needed without the costs and delays associated with: (1) obtaining Legislative and executive approvals to expend funds on the improvements; and (2) complying with the State's qualifying, bidding and contracting process.

As shown in Table 2, the cost of renovation is estimated at about \$15,000 for a cabin in poor condition, based on recent estimates to renovate rental cabins at Koke'e Lodge. The cost to renovate cabins in moderate condition is estimated at about \$42,500, which is based on a mid-estimate for the cabins in good and poor condition.

The cost of a new cabin to replace one in poor condition is estimated at \$70,000. This is based on a cabin of approximately 510 square feet (about 16 feet by 32 feet) with double-wall construction. Partially, pre-assembled cabins delivered to a California port cost approximately \$37,000. Final assembly would require about one week of effort by three workers. Additional costs would be incurred for: permits; shipping a "cabin kit" from California to Kaua'i; trucking the cabin kit to Koke'e; installing a foundation; purchasing and installing sinks, a shower, a toilet, cabinets, etc.; electrical and plumbing work; excise tax; contingency; profit; etc.

## **2.i. Cost of Improvements Prior to Subsequent Leases**

Under Private Management, it is assumed that each leased cabin would be renovated at the end of each 5-year sublease before it is subleased again. The cost is estimated at \$4,000 per cabin plus inflation.

## **2.j. Initial Cost of Equipment and Furnishings, Short-term Rentals**

The initial cost to equip and furnish a cabin for short-term rental is estimated at about \$5,000 (see Table 2). This covers the cost of a small refrigerator,



small appliances, beds, tables, chairs, chest of drawers, lamps, utensils, bedding, towels, etc.

## **2.k. Lease Income Paid to the State**

For State management, per-unit lease rent paid to the State is the same as Average Annual Revenues per Unit.

For Private Management, lease rent paid to the State would be a percentage of the gross revenues collected by the Master Lessee. Depending on the current condition of a cabin, the assumed percentage rent for short-term rentals ranges from 22.5% to 42.9%, resulting in initial annual lease rents per unit ranging from \$6,652 to \$12,683. Compared to State Management, these rents for Private Management provide approximately the same increase in net returns per cabin to the State. For leased cabins, the assumed percentage rent ranges from 33% to 81.5%, resulting in initial annual lease rents per unit ranging from \$4,095 to \$10,114. Again, these percentage rents provide approximately the same increase in net returns per cabin to the State.

## **2.l. Employment, Payroll and Overhead**

Under State management of the cabin leases, two full-time property managers are anticipated at an average annual salary of \$40,000, plus 40% overhead and inflation (see Table 2).

Under Private Management, employment is anticipated to include: (1) 2.5 property managers at a average salary of \$40,000, plus 30% overhead and inflation; and (2) 0.2 employee to maintain each short-term rental (one employee per five cabins) at an average salary of \$30,000, plus 30% overhead and inflation. In addition, oversight management by the State is expected to involve a half-time property manager at an average annual salary of \$40,000, plus 40% overhead and inflation.

## **2.m. Annual Per-Unit Cost of Goods and Services**

For short-term rentals, the annual cost of goods and services is estimated at about \$1,000 per year, plus inflation.

## **2.n. Taxes**

Revenues paid to a private company are subject to the State 4.167% excise tax, including rents from subleasing cabins, rents from short-term rentals, and management fees for services. Revenues paid to the State are exempt from the excise tax.

The rents from short-term rentals would also be subject to the 7.25% TAT. The State's share of this tax is 55.2%, with the remainder allocated to the counties.

As noted in Table 2, other taxes would be generated but are not estimated, including but not limited to: corporate income taxes, personal income taxes, the Kaua'i County share of the TAT, and county property taxes.

## **2.o. Annual Appreciation and Inflation**

As shown in Table 2, property values, wages, and salaries are assumed to increase at an average annual rate of about 3%, while expenses are assumed to increase at an average annual rate of about 2%.

## **2.p. Discount Rates**

Discount rates used for calculating NPV and annualized values are 5% for the State and 7% for private companies. These rates are based on State and corporate borrowing rates.

**Table 1. Koke'e and Waimea Cabins: Summary of Management Options**

Management Options	State	Private	Comparative Advantages
<b>1. State Management (Table 3)</b> <b>Defining Features</b> <ul style="list-style-type: none"> <li>• State leases cabins to 105 individual families</li> <li>• Short (long) leases for cabins in good (poor) condition</li> <li>• Leases are allocated to highest bidders</li> <li>• Individual families improve cabins</li> </ul> <b>Net Present Value</b> Annualized	     \$10,750,582 \$ 862,655	     n.a. n.a.	<ul style="list-style-type: none"> <li>• Baseline option</li> </ul>
<b>2. Private Collection (Table 4)</b> <b>Defining Features</b> <ul style="list-style-type: none"> <li>• Same as Option 1, except the State pays a private company to collect lease rents and monitor compliance with leases</li> </ul> <b>Net Present Value</b> Annualized <b>Change in Net Present Value from Option 1</b> Annualized	     \$10,289,201 \$ 825,632 \$ (461,381) \$ (37,022)	     \$ 188,080 \$ 17,753 \$ 188,080 \$ 17,753	<ul style="list-style-type: none"> <li>• State relieved of collection and monitoring</li> </ul>
<b>3. Private Management, Short Leases (Table 5)</b> <b>Defining Features</b> <ul style="list-style-type: none"> <li>• State leases all cabins to a Master Lessee for 20-yr term</li> <li>• Master Lessee improves cabins</li> <li>• Master Lessee subleases to individual families for 5-yr terms</li> <li>• Leases are allocated to highest bidders</li> </ul> <b>Net Present Value</b> Annualized <b>Change in Net Present Value from Option 1</b> Annualized	     \$11,589,902 \$ 930,004 \$ 839,319 \$ 67,349	     \$ 989,339 \$ 93,387 \$ 989,339 \$ 93,387	<ul style="list-style-type: none"> <li>• State relieved of management</li> <li>• Master Lessee has flexibility to renovate and replace cabins as needed</li> <li>• Improved cabins lease for higher rents, resulting in higher returns to the State</li> <li>• Additional income from Excise Tax</li> <li>• Short leases allow more families to have access to cabins</li> <li>• At the end of the Master Lease, the State inherits cabins in good condition</li> </ul>
<b>4. Private Management, Rentals &amp; Short Leases (Table 6)</b> <b>Defining Features</b> <ul style="list-style-type: none"> <li>• Same as Option 3, except 30 cabins are used for short-term rentals</li> <li>• Rents discounted to improve affordability</li> </ul> <b>Net Present Value</b> Annualized <b>Change in Net Present Value from Option 1</b> Annualized <b>Change in Net Present Value per Additional Short-term Rental</b> Annualized	     \$13,608,949 \$ 1,092,017 \$ 2,858,367 \$ 229,363 \$ 67,371 \$ 5,406	     \$ 2,867,499 \$ 270,672 \$ 2,867,499 \$ 270,672 \$ 62,547 \$ 5,904	<ul style="list-style-type: none"> <li>• Same as for Option 3</li> <li>• Rentals at discounted rates allow more families to have access to cabins</li> <li>• Higher returns to the State</li> <li>• Additional income from Excise Tax and Transient Accommodations Tax</li> <li>• Additional rent derived from increased sales at the Lodge</li> <li>• Rentals support about 6 more jobs</li> </ul>
<b>5. Mixed Management (Not Shown)</b> <b>Defining Features</b> <ul style="list-style-type: none"> <li>• Option 1 or 2 for long-term leases</li> <li>• Option 4 (Private Management) for short-term rentals</li> </ul> <b>Net Present Value</b> Annualized <b>Change in Net Present Value from Option 1</b> Annualized	     n.e. n.e. n.e. n.e.	     n.e. n.e. n.e. n.e.	<ul style="list-style-type: none"> <li>• A mix of advantages for (1) Option 1 or 2 and (2) Option 4</li> </ul>



**Table 2. Assumptions and Intermediate Calculations**

Item	Op 1. State Management	Op 4. Private Management	Comment
<b>Number of Cabins, by Historic Value and Current Condition</b>			
Good	44	44	Under State Management, all units would be renovated or replaced by individual families. Under Private Management, all units would be renovated or replaced by Master Lessee.
Moderate	22	22	
Poor	39	39	
Total	105	105	
<b>Use of Cabins</b>			
Short-term Rentals			
Cabins Now in Good Condition	n.a.	10	
Cabins Now in Moderate Condition	n.a.	10	
Cabins Now in Poor Condition	n.a.	10	
Total Units, Short-term Rentals	n.a.	30	
Long-term Leases			
Cabins Now in Good Condition	44	34	
Cabins Now in Moderate Condition	22	12	
Cabins Now in Poor Condition	39	29	
Total Units, Long-term Leases	105	75	
<b>Duration of Leases (years)</b>			
Master Lease	n.a.	20	
Individual Leases			
Renovated and New Cabins		5	Shorter and staggered leases increase access.
Cabins Now in Good Condition	5	n.a.	
Cabins Now in Moderate Condition	10	n.a.	
Cabins Now in Poor Condition	20	n.a.	Expensive improvements by lessees require long leases.
<b>Renegotiation Years</b>			
Short-term Rental Rates	n.a.	Yrs 5, 10 & 15	To assure affordability, daily rates are negotiated with the State.
Individual Leases			
5-Year Leases	n.a.	n.a.	
10-Year Leases	n.a.	n.a.	
20-Year Leases	Years 10 & 15	n.a.	
<b>Average Occupancy</b>			
Short-term Rentals	n.a.	90%	High occupancy for short-term rentals reflects low daily rates.
5-Year Leases	40%	40%	Low occupancy for leased cabins reflects part-time vacation use by individual families, relatives and friends. Annual use is expected to decrease with longer leases.
10-Year Leases	35%	n.a.	
20-Year Leases	35%	n.a.	
<b>Average Daily Rate</b>			
Short-term Rentals			
Market Rate	n.a.	\$ 120	
Discount	n.a.	25%	
Rate Charged	n.a.	\$ 90	
Long-term Leases, Effective Market Rates			
Renovated and New Cabins		\$ 85	For Private Management, the higher rate reflects higher quality and more marketing.
Cabins Now in Good Condition	\$ 75	n.a.	
Cabins Now in Moderate Condition	\$ 60	n.a.	
Cabins Now in Poor Condition	\$ 40	n.a.	
O&M Charge	n.e.	n.e.	

**Table 2. Assumptions and Intermediate Calculations**

Item	Op 1. State Management	Op 4. Private Management	Comment
<b>Average Annual Revenues Per Unit, Initial Year</b>			
Short-term Rentals	n.a.	\$ 29,565	Calculated from occupancy and daily rates.
Long-term Leases			
Renovated and New Cabins	n.a.	\$ 12,410	Calculated from occupancy and daily rates.
Cabins Now in Good Condition	\$ 10,950	n.a.	
Cabins Now in Moderate Condition	\$ 7,665	n.a.	
Cabins Now in Poor Condition	\$ 5,110	n.a.	
<b>Cost of Improvements Prior to Initial Leases</b>			
Cabins Now in Good Condition	\$ -	\$ 15,000	Under Private Management, all units would be renovated or replaced prior to leasing to individual families.
Cabins Now in Moderate Condition	\$ -	\$ 42,500	
Cabins Now in Poor Condition	\$ -	\$ 70,000	
<b>Cost of Improvements Prior to Subsequent Leases</b>	-	\$ 4,000	
<b>Initial Cost of Equipment and Furnishings, Short-term Rentals</b>	n.a.	\$ 5,000	
<b>Lease Income Paid to the State</b>			
Percentage Payments			
Short-term Rentals			
Cabins Now in Good Condition	n.a.	42.9%	Compared to returns under State Management, these percentage rents provide equivalent changes in net returns to the State.
Cabins Now in Moderate Condition	n.a.	30.1%	
Cabins Now in Poor Condition	n.a.	22.5%	
Long-term Leases			
Cabins Now in Good Condition	n.a.	81.5%	These percentage rents provide equivalent net returns to the State.
Cabins Now in Moderate Condition	n.a.	51.0%	
Cabins Now in Poor Condition	n.a.	33.0%	
Average Lease Income to the State per Unit			
Short-term Rentals			
Cabins Now in Good Condition	n.a.	\$ 12,683	Compared to long-term leases, short-term rentals provide an initial annual premium of about \$2,570 in lease rents.
Cabins Now in Moderate Condition	n.a.	\$ 8,899	
Cabins Now in Poor Condition	n.a.	\$ 6,652	
Long-term Leases			
Cabins Now in Good Condition	\$ 10,950	\$ 10,114	When taxes and savings on property management are included, the net to the State is higher (not lower) under Private Management.
Cabins Now in Moderate Condition	\$ 7,665	\$ 6,329	
Cabins Now in Poor Condition	\$ 5,110	\$ 4,095	
<b>Employment, Payroll &amp; Overhead</b>			
Employees			
Property Managers			
Private	n.a.	2.50	
State	2.00	0.50	
O&M Staff per Short-term Rental	n.a.	0.20	
Wages and Salaries			
Property Managers			
Private	n.a.	\$ 40,000	
State	\$ 40,000	\$ 40,000	
O&M Staff, Short-term Rentals	n.a.	\$ 30,000	
Overhead			
Private	n.a.	30.0%	
State	40.0%	40.0%	



**Table 2. Assumptions and Intermediate Calculations**

Item	Op 1. State Management	Op 4. Private Management	Comment
<b>Annual Per-Unit Cost of Goods and Services</b>			
Short-term Rentals	\$ -	\$ 1,000	This covers costs not charged to users.
Long-term Leases	\$ -	\$ -	
<b>Taxes</b>			
State			Private management will result in corporate income tax revenues, more employment, and more personal income taxes.
Excise Tax	n.a.	4.167%	
Transient Accommodations Tax (TAT)	n.a.	7.25%	
State Share of TAT	n.a.	55.20%	
Corporate Income Tax	n.a.	n.e.	
Personal Income Tax	n.e.	n.e.	
County			
County Share of TAT	n.a.	n.e.	
Property Taxes	n.e.	n.e.	
<b>Annual Appreciation and Inflation</b>			
Appreciation of Property Values	3%	3%	
Inflation			
Wages and Salaries	3%	3%	
Expenses	2%	2%	
<b>Discount Rates</b>			
State	5%	5%	Used for valuing income streams.
Private	n.a.	7%	

**Table 3. State Management  
(Option 1)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
<b>Revenues</b>							
Cabins Now in Good Condition, 5-yr Leases		\$ 481,800	\$ 481,800	\$ 481,800	\$ 481,800	\$ 481,800	\$ 558,538
Cabins Now in Moderate Condition, 10-yr Leases		\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630
Cabins Now in Poor Condition, 20-yr Leases		\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290
Total Revenues	\$ -	\$ 849,720	\$ 849,720	\$ 849,720	\$ 849,720	\$ 849,720	\$ 926,458
<b>Expenditures</b>							
Payroll		\$ (80,000)	\$ (82,400)	\$ (84,872)	\$ (87,418)	\$ (90,041)	\$ (92,742)
Overhead		\$ (32,000)	\$ (32,960)	\$ (33,949)	\$ (34,967)	\$ (36,016)	\$ (37,097)
Total Expenses	\$ -	\$ (112,000)	\$ (115,360)	\$ (118,821)	\$ (122,385)	\$ (126,057)	\$ (129,839)
<b>Net Revenues</b>	\$ -	\$ 737,720	\$ 734,360	\$ 730,899	\$ 727,335	\$ 723,663	\$ 796,620
<b>Present Value of Net Revenues</b>	\$10,750,582						

**Table 3. State Management  
(Option 1)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
<b>Revenues</b>							
Cabins Now in Good Condition, 5-yr Leases	\$ 558,538	\$ 558,538	\$ 558,538	\$ 558,538	\$ 647,499	\$ 647,499	\$ 647,499
Cabins Now in Moderate Condition, 10-yr Leases	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 226,625	\$ 226,625	\$ 226,625
Cabins Now in Poor Condition, 20-yr Leases	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 267,829	\$ 267,829	\$ 267,829
Total Revenues	\$ 926,458	\$ 926,458	\$ 926,458	\$ 926,458	\$ 1,141,953	\$ 1,141,953	\$ 1,141,953
<b>Expenditures</b>							
Payroll	\$ (95,524)	\$ (98,390)	\$ (101,342)	\$ (104,382)	\$ (107,513)	\$ (110,739)	\$ (114,061)
Overhead	\$ (38,210)	\$ (39,356)	\$ (40,537)	\$ (41,753)	\$ (43,005)	\$ (44,295)	\$ (45,624)
Total Expenses	\$ (133,734)	\$ (137,746)	\$ (141,878)	\$ (146,135)	\$ (150,519)	\$ (155,034)	\$ (159,685)
<b>Net Revenues</b>	\$ 792,724	\$ 788,712	\$ 784,580	\$ 780,324	\$ 991,434	\$ 986,918	\$ 982,267
<b>Present Value of Net Revenues</b>							



**Table 3. State Management  
(Option 1)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
<b>Revenues</b>							
Cabins Now in Good Condition, 5-yr Leases	\$ 647,499	\$ 647,499	\$ 750,629	\$ 750,629	\$ 750,629	\$ 750,629	\$ 750,629
Cabins Now in Moderate Condition, 10-yr Leases	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625
Cabins Now in Poor Condition, 20-yr Leases	\$ 267,829	\$ 267,829	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487
Total Revenues	\$ 1,141,953	\$ 1,141,953	\$ 1,287,741	\$ 1,287,741	\$ 1,287,741	\$ 1,287,741	\$ 1,287,741
<b>Expenditures</b>							
Payroll	\$ (117,483)	\$ (121,007)	\$ (124,637)	\$ (128,377)	\$ (132,228)	\$ (136,195)	\$ (140,280)
Overhead	\$ (46,993)	\$ (48,403)	\$ (49,855)	\$ (51,351)	\$ (52,891)	\$ (54,478)	\$ (56,112)
Total Expenses	\$ (164,476)	\$ (169,410)	\$ (174,492)	\$ (179,727)	\$ (185,119)	\$ (190,673)	\$ (196,393)
<b>Net Revenues</b>	\$ 977,477	\$ 972,543	\$ 1,113,248	\$ 1,108,014	\$ 1,102,622	\$ 1,097,068	\$ 1,091,348
<b>Present Value of Net Revenues</b>							

**Table 4. Private Collection  
(Option 2)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
<b>State Finances</b>							
<b>Revenues</b>							
Lease Rents							
Cabins Now in Good Condition, 5-yr Leases		\$ 481,800	\$ 481,800	\$ 481,800	\$ 481,800	\$ 481,800	\$ 558,538
Cabins Now in Moderate Condition, 10-yr Leases		\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630
Cabins Now in Poor Condition, 20-yr Leases		\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290
Total Revenues	\$ -	\$ 849,720	\$ 849,720	\$ 849,720	\$ 849,720	\$ 849,720	\$ 926,458
Excise Tax		\$ 5,311	\$ 5,311	\$ 5,311	\$ 5,311	\$ 5,311	\$ 5,791
Total Revenues		\$ 855,031	\$ 855,031	\$ 855,031	\$ 855,031	\$ 855,031	\$ 932,249
<b>Expenditures</b>							
Management Fee (15%)		\$ (127,458)	\$ (127,458)	\$ (127,458)	\$ (127,458)	\$ (127,458)	\$ (138,969)
Payroll		\$ (20,000)	\$ (20,600)	\$ (21,218)	\$ (21,855)	\$ (22,510)	\$ (23,185)
Overhead		\$ (8,000)	\$ (8,240)	\$ (8,487)	\$ (8,742)	\$ (9,004)	\$ (9,274)
Total Expenses	\$ -	\$ (155,458)	\$ (156,298)	\$ (157,163)	\$ (158,054)	\$ (158,972)	\$ (171,428)
<b>Net Revenues</b>	\$ -	\$ 699,573	\$ 698,733	\$ 697,868	\$ 696,977	\$ 696,059	\$ 760,821
<b>Present Value of Net Revenues</b>	\$10,289,201						
<b>Present Value of Net Revenues to Agent (10% Profit)</b>	\$ 188,080						

**Table 4. Private Collection  
(Option 2)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
<b>State Finances</b>							
<b>Revenues</b>							
Lease Rents							
Cabins Now in Good Condition, 5-yr Leases	\$ 558,538	\$ 558,538	\$ 558,538	\$ 558,538	\$ 647,499	\$ 647,499	\$ 647,499
Cabins Now in Moderate Condition, 10-yr Leases	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 226,625	\$ 226,625	\$ 226,625
Cabins Now in Poor Condition, 20-yr Leases	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 267,829	\$ 267,829	\$ 267,829
Total Revenues	\$ 926,458	\$ 926,458	\$ 926,458	\$ 926,458	\$ 1,141,953	\$ 1,141,953	\$ 1,141,953
Excise Tax	\$ 5,791	\$ 5,791	\$ 5,791	\$ 5,791	\$ 7,138	\$ 7,138	\$ 7,138
Total Revenues	\$ 932,249	\$ 932,249	\$ 932,249	\$ 932,249	\$ 1,149,090	\$ 1,149,090	\$ 1,149,090
<b>Expenditures</b>							
Management Fee (15%)	\$ (138,969)	\$ (138,969)	\$ (138,969)	\$ (138,969)	\$ (171,293)	\$ (171,293)	\$ (171,293)
Payroll	\$ (23,881)	\$ (24,597)	\$ (25,335)	\$ (26,095)	\$ (26,878)	\$ (27,685)	\$ (28,515)
Overhead	\$ (9,552)	\$ (9,839)	\$ (10,134)	\$ (10,438)	\$ (10,751)	\$ (11,074)	\$ (11,406)
Total Expenses	\$ (172,402)	\$ (173,405)	\$ (174,438)	\$ (175,502)	\$ (208,923)	\$ (210,051)	\$ (211,214)
<b>Net Revenues</b>	\$ 759,847	\$ 758,844	\$ 757,811	\$ 756,747	\$ 940,168	\$ 939,039	\$ 937,876
<b>Present Value of Net Revenues</b>							
<b>Present Value of Net Revenues to Agent (10% Profit)</b>							



**Table 4. Private Collection  
(Option 2)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
<b>State Finances</b>							
<b>Revenues</b>							
Lease Rents							
Cabins Now in Good Condition, 5-yr Leases	\$ 647,499	\$ 647,499	\$ 750,629	\$ 750,629	\$ 750,629	\$ 750,629	\$ 750,629
Cabins Now in Moderate Condition, 10-yr Leases	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625	\$ 226,625
Cabins Now in Poor Condition, 20-yr Leases	\$ 267,829	\$ 267,829	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487
Total Revenues	\$ 1,141,953	\$ 1,141,953	\$ 1,287,741	\$ 1,287,741	\$ 1,287,741	\$ 1,287,741	\$ 1,287,741
Excise Tax	\$ 7,138	\$ 7,138	\$ 8,049	\$ 8,049	\$ 8,049	\$ 8,049	\$ 8,049
Total Revenues	\$ 1,149,090	\$ 1,149,090	\$ 1,295,790	\$ 1,295,790	\$ 1,295,790	\$ 1,295,790	\$ 1,295,790
<b>Expenditures</b>							
Management Fee (15%)	\$ (171,293)	\$ (171,293)	\$ (193,161)	\$ (193,161)	\$ (193,161)	\$ (193,161)	\$ (193,161)
Payroll	\$ (29,371)	\$ (30,252)	\$ (31,159)	\$ (32,094)	\$ (33,057)	\$ (34,049)	\$ (35,070)
Overhead	\$ (11,748)	\$ (12,101)	\$ (12,464)	\$ (12,838)	\$ (13,223)	\$ (13,619)	\$ (14,028)
Total Expenses	\$ (212,412)	\$ (213,645)	\$ (236,784)	\$ (238,093)	\$ (239,441)	\$ (240,829)	\$ (242,259)
<b>Net Revenues</b>	\$ 936,679	\$ 935,445	\$ 1,059,005	\$ 1,057,697	\$ 1,056,349	\$ 1,054,960	\$ 1,053,530
<b>Present Value of Net Revenues</b>							
<b>Present Value of Net Revenues to Agent (10% Profit)</b>							

**Table 5. Private Management,  
Short Leases (Option 3)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
<b>Management Company Finances</b>							
<b>Revenues</b>							
Short-term Rentals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases		\$ 1,303,050	\$ 1,303,050	\$ 1,303,050	\$ 1,303,050	\$ 1,303,050	\$ 1,510,592
TAT		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax		\$ 54,298	\$ 54,298	\$ 54,298	\$ 54,298	\$ 54,298	\$ 62,946
Total Revenues	\$ -	\$ 1,357,348	\$ 1,357,348	\$ 1,357,348	\$ 1,357,348	\$ 1,357,348	\$ 1,573,538
<b>Expenditures</b>							
Initial Improvements							
Cabins Now in Good Condition	\$ (660,000)						
Cabins Now in Moderate Condition	\$ (935,000)						
Cabins Now in Poor Condition	\$ (2,730,000)						
Total, Initial Improvements	\$ (4,325,000)						
Subsequent Improvements						\$ (463,714)	
Furnishings & Equipment, Short-term Rentals	\$ -						
Lease Payments to State							
Short-term Rentals							
Cabins Now in Good Condition		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cabins Now in Moderate Condition		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cabins Now in Poor Condition		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases							
Cabins Now in Good Condition		\$ (445,023)	\$ (445,023)	\$ (445,023)	\$ (445,023)	\$ (445,023)	\$ (515,903)
Cabins Now in Moderate Condition		\$ (139,240)	\$ (139,240)	\$ (139,240)	\$ (139,240)	\$ (139,240)	\$ (161,418)
Cabins Now in Poor Condition		\$ (159,717)	\$ (159,717)	\$ (159,717)	\$ (159,717)	\$ (159,717)	\$ (185,155)
Total Lease Payments to State		\$ (743,980)	\$ (743,980)	\$ (743,980)	\$ (743,980)	\$ (743,980)	\$ (862,476)
Payroll							
Property Management		\$ (100,000)	\$ (103,000)	\$ (106,090)	\$ (109,273)	\$ (112,551)	\$ (115,927)
Staff, Short-term Rentals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll		\$ (100,000)	\$ (103,000)	\$ (106,090)	\$ (109,273)	\$ (112,551)	\$ (115,927)
Overhead		\$ (30,000)	\$ (30,900)	\$ (31,827)	\$ (32,782)	\$ (33,765)	\$ (34,778)
Goods and Services, Short-term Rentals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient Accommodations Tax		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax		\$ (54,298)	\$ (54,298)	\$ (54,298)	\$ (54,298)	\$ (54,298)	\$ (62,946)
Total Expenditures	\$ (4,325,000)	\$ (928,278)	\$ (932,178)	\$ (936,195)	\$ (940,332)	\$ (944,594)	\$ (1,076,128)
<b>Net Revenues</b>	\$ (4,325,000)	\$ 429,071	\$ 425,171	\$ 421,154	\$ 417,016	\$ 412,754	\$ 497,410
<b>Present Value of Net Revenues</b>	\$ 989,339						
<b>State Finances</b>							
<b>Revenues</b>							
Lease Payments to State		\$ 743,980	\$ 743,980	\$ 743,980	\$ 743,980	\$ 743,980	\$ 862,476
TAT, State Share		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax		\$ 54,298	\$ 54,298	\$ 54,298	\$ 54,298	\$ 54,298	\$ 62,946
Total Revenues	\$ -	\$ 798,278	\$ 798,278	\$ 798,278	\$ 798,278	\$ 798,278	\$ 925,423
<b>Expenditures</b>							
Property Management		\$ (20,000)	\$ (20,600)	\$ (21,218)	\$ (21,855)	\$ (22,510)	\$ (23,185)
Overhead		\$ (8,000)	\$ (8,240)	\$ (8,487)	\$ (8,742)	\$ (9,004)	\$ (9,274)
Total Expenditures	\$ -	\$ (28,000)	\$ (28,840)	\$ (29,705)	\$ (30,596)	\$ (31,514)	\$ (32,460)
<b>Net Revenues</b>	\$ -	\$ 770,278	\$ 769,438	\$ 768,572	\$ 767,681	\$ 766,763	\$ 892,963
<b>Present Value of Net Revenues</b>	\$11,589,902						



**Table 5. Private Management,  
Short Leases (Option 3)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
<b>Management Company Finances</b>							
<b>Revenues</b>							
Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases	\$ 1,510,592	\$ 1,510,592	\$ 1,510,592	\$ 1,510,592	\$ 1,751,190	\$ 1,751,190	\$ 1,751,190
TAT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ 62,946	\$ 62,946	\$ 62,946	\$ 62,946	\$ 72,972	\$ 72,972	\$ 72,972
Total Revenues	\$ 1,573,538	\$ 1,573,538	\$ 1,573,538	\$ 1,573,538	\$ 1,824,162	\$ 1,824,162	\$ 1,824,162
<b>Expenditures</b>							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Total, Initial Improvements							
Subsequent Improvements				\$ (511,978)			
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals							
Cabins Now in Good Condition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cabins Now in Moderate Condition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cabins Now in Poor Condition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases							
Cabins Now in Good Condition	\$ (515,903)	\$ (515,903)	\$ (515,903)	\$ (515,903)	\$ (598,073)	\$ (598,073)	\$ (598,073)
Cabins Now in Moderate Condition	\$ (161,418)	\$ (161,418)	\$ (161,418)	\$ (161,418)	\$ (187,127)	\$ (187,127)	\$ (187,127)
Cabins Now in Poor Condition	\$ (185,155)	\$ (185,155)	\$ (185,155)	\$ (185,155)	\$ (214,646)	\$ (214,646)	\$ (214,646)
Total Lease Payments to State	\$ (862,476)	\$ (862,476)	\$ (862,476)	\$ (862,476)	\$ (999,846)	\$ (999,846)	\$ (999,846)
Payroll							
Property Management	\$ (119,405)	\$ (122,987)	\$ (126,677)	\$ (130,477)	\$ (134,392)	\$ (138,423)	\$ (142,576)
Staff, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll	\$ (119,405)	\$ (122,987)	\$ (126,677)	\$ (130,477)	\$ (134,392)	\$ (138,423)	\$ (142,576)
Overhead	\$ (35,822)	\$ (36,896)	\$ (38,003)	\$ (39,143)	\$ (40,317)	\$ (41,527)	\$ (42,773)
Goods and Services, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient Accommodations Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ (62,946)	\$ (62,946)	\$ (62,946)	\$ (62,946)	\$ (72,972)	\$ (72,972)	\$ (72,972)
Total Expenditures	\$ (1,080,649)	\$ (1,085,306)	\$ (1,090,103)	\$ (1,095,043)	\$ (1,247,527)	\$ (1,252,769)	\$ (1,258,167)
<b>Net Revenues</b>	\$ 492,889	\$ 488,232	\$ 483,436	\$ 478,495	\$ 576,635	\$ 571,394	\$ 565,995
<b>Present Value of Net Revenues</b>							
<b>State Finances</b>							
<b>Revenues</b>							
Lease Payments to State	\$ 862,476	\$ 862,476	\$ 862,476	\$ 862,476	\$ 999,846	\$ 999,846	\$ 999,846
TAT, State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ 62,946	\$ 62,946	\$ 62,946	\$ 62,946	\$ 72,972	\$ 72,972	\$ 72,972
Total Revenues	\$ 925,423	\$ 925,423	\$ 925,423	\$ 925,423	\$ 1,072,818	\$ 1,072,818	\$ 1,072,818
<b>Expenditures</b>							
Property Management	\$ (23,881)	\$ (24,597)	\$ (25,335)	\$ (26,095)	\$ (26,878)	\$ (27,685)	\$ (28,515)
Overhead	\$ (9,552)	\$ (9,839)	\$ (10,134)	\$ (10,438)	\$ (10,751)	\$ (11,074)	\$ (11,406)
Total Expenditures	\$ (33,433)	\$ (34,436)	\$ (35,470)	\$ (36,534)	\$ (37,630)	\$ (38,759)	\$ (39,921)
<b>Net Revenues</b>	\$ 891,989	\$ 890,986	\$ 889,953	\$ 888,889	\$ 1,035,189	\$ 1,034,060	\$ 1,032,897
<b>Present Value of Net Revenues</b>							



**Table 5. Private Management,  
Short Leases (Option 3)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
<b>Management Company Finances</b>							
<b>Revenues</b>							
Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases	\$ 1,751,190	\$ 1,751,190	\$ 2,030,109	\$ 2,030,109	\$ 2,030,109	\$ 2,030,109	\$ 2,030,109
TAT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ 72,972	\$ 72,972	\$ 84,595	\$ 84,595	\$ 84,595	\$ 84,595	\$ 84,595
Total Revenues	\$ 1,824,162	\$ 1,824,162	\$ 2,114,704	\$ 2,114,704	\$ 2,114,704	\$ 2,114,704	\$ 2,114,704
<b>Expenditures</b>							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Total, Initial Improvements							
Subsequent Improvements		\$ (565,265)					
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals							
Cabins Now in Good Condition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cabins Now in Moderate Condition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cabins Now in Poor Condition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases							
Cabins Now in Good Condition	\$ (598,073)	\$ (598,073)	\$ (693,331)	\$ (693,331)	\$ (693,331)	\$ (693,331)	\$ (693,331)
Cabins Now in Moderate Condition	\$ (187,127)	\$ (187,127)	\$ (216,932)	\$ (216,932)	\$ (216,932)	\$ (216,932)	\$ (216,932)
Cabins Now in Poor Condition	\$ (214,646)	\$ (214,646)	\$ (248,833)	\$ (248,833)	\$ (248,833)	\$ (248,833)	\$ (248,833)
Total Lease Payments to State	\$ (999,846)	\$ (999,846)	\$ (1,159,096)	\$ (1,159,096)	\$ (1,159,096)	\$ (1,159,096)	\$ (1,159,096)
Payroll							
Property Management	\$ (146,853)	\$ (151,259)	\$ (155,797)	\$ (160,471)	\$ (165,285)	\$ (170,243)	\$ (175,351)
Staff, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll	\$ (146,853)	\$ (151,259)	\$ (155,797)	\$ (160,471)	\$ (165,285)	\$ (170,243)	\$ (175,351)
Overhead	\$ (44,056)	\$ (45,378)	\$ (46,739)	\$ (48,141)	\$ (49,585)	\$ (51,073)	\$ (52,605)
Goods and Services, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient Accommodations Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ (72,972)	\$ (72,972)	\$ (84,595)	\$ (84,595)	\$ (84,595)	\$ (84,595)	\$ (84,595)
Total Expenditures	\$ (1,263,728)	\$ (1,269,455)	\$ (1,446,226)	\$ (1,452,302)	\$ (1,458,561)	\$ (1,465,007)	\$ (1,471,646)
<b>Net Revenues</b>	\$ 560,435	\$ 554,707	\$ 668,478	\$ 662,402	\$ 656,143	\$ 649,697	\$ 643,058
<b>Present Value of Net Revenues</b>							
<b>State Finances</b>							
<b>Revenues</b>							
Lease Payments to State	\$ 999,846	\$ 999,846	\$ 1,159,096	\$ 1,159,096	\$ 1,159,096	\$ 1,159,096	\$ 1,159,096
TAT, State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ 72,972	\$ 72,972	\$ 84,595	\$ 84,595	\$ 84,595	\$ 84,595	\$ 84,595
Total Revenues	\$ 1,072,818	\$ 1,072,818	\$ 1,243,690	\$ 1,243,690	\$ 1,243,690	\$ 1,243,690	\$ 1,243,690
<b>Expenditures</b>							
Property Management	\$ (29,371)	\$ (30,252)	\$ (31,159)	\$ (32,094)	\$ (33,057)	\$ (34,049)	\$ (35,070)
Overhead	\$ (11,748)	\$ (12,101)	\$ (12,464)	\$ (12,838)	\$ (13,223)	\$ (13,619)	\$ (14,028)
Total Expenditures	\$ (41,119)	\$ (42,353)	\$ (43,623)	\$ (44,932)	\$ (46,280)	\$ (47,668)	\$ (49,098)
<b>Net Revenues</b>	\$ 1,031,699	\$ 1,030,466	\$ 1,200,067	\$ 1,198,759	\$ 1,197,411	\$ 1,196,022	\$ 1,194,592
<b>Present Value of Net Revenues</b>							



**Table 6. Private Management  
Rentals & Short Leases (Option 4)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
<b>Management Company Finances</b>							
<b>Revenues</b>							
Short-term Rentals		\$ 886,950	\$ 886,950	\$ 886,950	\$ 886,950	\$ 886,950	\$ 1,028,218
Long-term Leases		\$ 930,750	\$ 930,750	\$ 930,750	\$ 930,750	\$ 930,750	\$ 1,078,994
TAT		\$ 64,304	\$ 64,304	\$ 64,304	\$ 64,304	\$ 64,304	\$ 74,546
Excise Tax		\$ 75,744	\$ 75,744	\$ 75,744	\$ 75,744	\$ 75,744	\$ 87,808
Total Revenues	\$ -	\$ 1,957,747	\$ 1,957,747	\$ 1,957,747	\$ 1,957,747	\$ 1,957,747	\$ 2,269,566
<b>Expenditures</b>							
Initial Improvements							
Cabins Now in Good Condition	\$ (660,000)						
Cabins Now in Moderate Condition	\$ (935,000)						
Cabins Now in Poor Condition	\$ (2,730,000)						
Total, Initial Improvements	\$ (4,325,000)						
Subsequent Improvements						\$ (331,224)	
Furnishings & Equipment, Short-term Rentals	\$ (150,000)						
Lease Payments to State							
Short-term Rentals							
Cabins Now in Good Condition		\$ (126,834)	\$ (126,834)	\$ (126,834)	\$ (126,834)	\$ (126,834)	\$ (147,035)
Cabins Now in Moderate Condition		\$ (88,991)	\$ (88,991)	\$ (88,991)	\$ (88,991)	\$ (88,991)	\$ (103,165)
Cabins Now in Poor Condition		\$ (66,521)	\$ (66,521)	\$ (66,521)	\$ (66,521)	\$ (66,521)	\$ (77,116)
Long-term Leases							
Cabins Now in Good Condition		\$ (343,881)	\$ (343,881)	\$ (343,881)	\$ (343,881)	\$ (343,881)	\$ (398,652)
Cabins Now in Moderate Condition		\$ (75,949)	\$ (75,949)	\$ (75,949)	\$ (75,949)	\$ (75,949)	\$ (88,046)
Cabins Now in Poor Condition		\$ (118,764)	\$ (118,764)	\$ (118,764)	\$ (118,764)	\$ (118,764)	\$ (137,680)
Total Lease Payments to State		\$ (820,940)	\$ (820,940)	\$ (820,940)	\$ (820,940)	\$ (820,940)	\$ (951,694)
Payroll							
Property Management		\$ (100,000)	\$ (103,000)	\$ (106,090)	\$ (109,273)	\$ (112,551)	\$ (115,927)
Staff, Short-term Rentals		\$ (180,000)	\$ (185,400)	\$ (190,962)	\$ (196,691)	\$ (202,592)	\$ (208,669)
Total Payroll		\$ (280,000)	\$ (288,400)	\$ (297,052)	\$ (305,964)	\$ (315,142)	\$ (324,597)
Overhead		\$ (84,000)	\$ (86,520)	\$ (89,116)	\$ (91,789)	\$ (94,543)	\$ (97,379)
Goods and Services, Short-term Rentals		\$ (30,000)	\$ (30,600)	\$ (31,212)	\$ (31,836)	\$ (32,473)	\$ (33,122)
Transient Accommodations Tax		\$ (64,304)	\$ (64,304)	\$ (64,304)	\$ (64,304)	\$ (64,304)	\$ (74,546)
Excise Tax		\$ (75,744)	\$ (75,744)	\$ (75,744)	\$ (75,744)	\$ (75,744)	\$ (87,808)
Total Expenditures	\$ (4,475,000)	\$ (1,354,987)	\$ (1,366,507)	\$ (1,378,367)	\$ (1,390,576)	\$ (1,403,145)	\$ (1,569,146)
<b>Net Revenues</b>	\$ (4,475,000)	\$ 602,760	\$ 591,240	\$ 579,381	\$ 567,171	\$ 554,602	\$ 700,420
<b>Present Value of Net Revenues</b>	\$ 2,867,499						
<b>State Finances</b>							
<b>Revenues</b>							
Lease Payments to State		\$ 820,940	\$ 820,940	\$ 820,940	\$ 820,940	\$ 820,940	\$ 951,694
TAT, State Share		\$ 35,496	\$ 35,496	\$ 35,496	\$ 35,496	\$ 35,496	\$ 41,149
Excise Tax		\$ 75,744	\$ 75,744	\$ 75,744	\$ 75,744	\$ 75,744	\$ 87,808
Total Revenues	\$ -	\$ 932,179	\$ 932,179	\$ 932,179	\$ 932,179	\$ 932,179	\$ 1,080,651
<b>Expenditures</b>							
Property Management		\$ (20,000)	\$ (20,600)	\$ (21,218)	\$ (21,855)	\$ (22,510)	\$ (23,185)
Overhead		\$ (8,000)	\$ (8,240)	\$ (8,487)	\$ (8,742)	\$ (9,004)	\$ (9,274)
Total Expenditures	\$ -	\$ (28,000)	\$ (28,840)	\$ (29,705)	\$ (30,596)	\$ (31,514)	\$ (32,460)
<b>Net Revenues</b>	\$ -	\$ 904,179	\$ 903,339	\$ 902,474	\$ 901,583	\$ 900,665	\$ 1,048,191
<b>Present Value of Net Revenues</b>	\$13,608,949						



**Table 6. Private Management  
Rentals & Short Leases (Option 4)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
<b>Management Company Finances</b>							
<b>Revenues</b>							
Short-term Rentals	\$ 1,028,218	\$ 1,028,218	\$ 1,028,218	\$ 1,028,218	\$ 1,191,987	\$ 1,191,987	\$ 1,191,987
Long-term Leases	\$ 1,078,994	\$ 1,078,994	\$ 1,078,994	\$ 1,078,994	\$ 1,250,850	\$ 1,250,850	\$ 1,250,850
TAT	\$ 74,546	\$ 74,546	\$ 74,546	\$ 74,546	\$ 86,419	\$ 86,419	\$ 86,419
Excise Tax	\$ 87,808	\$ 87,808	\$ 87,808	\$ 87,808	\$ 101,793	\$ 101,793	\$ 101,793
Total Revenues	\$ 2,269,566	\$ 2,269,566	\$ 2,269,566	\$ 2,269,566	\$ 2,631,049	\$ 2,631,049	\$ 2,631,049
<b>Expenditures</b>							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Total, Initial Improvements							
Subsequent Improvements				\$ (365,698)			
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals							
Cabins Now in Good Condition	\$ (147,035)	\$ (147,035)	\$ (147,035)	\$ (147,035)	\$ (170,454)	\$ (170,454)	\$ (170,454)
Cabins Now in Moderate Condition	\$ (103,165)	\$ (103,165)	\$ (103,165)	\$ (103,165)	\$ (119,596)	\$ (119,596)	\$ (119,596)
Cabins Now in Poor Condition	\$ (77,116)	\$ (77,116)	\$ (77,116)	\$ (77,116)	\$ (89,399)	\$ (89,399)	\$ (89,399)
Long-term Leases							
Cabins Now in Good Condition	\$ (398,652)	\$ (398,652)	\$ (398,652)	\$ (398,652)	\$ (462,147)	\$ (462,147)	\$ (462,147)
Cabins Now in Moderate Condition	\$ (88,046)	\$ (88,046)	\$ (88,046)	\$ (88,046)	\$ (102,069)	\$ (102,069)	\$ (102,069)
Cabins Now in Poor Condition	\$ (137,680)	\$ (137,680)	\$ (137,680)	\$ (137,680)	\$ (159,608)	\$ (159,608)	\$ (159,608)
Total Lease Payments to State	\$ (951,694)	\$ (951,694)	\$ (951,694)	\$ (951,694)	\$ (1,103,274)	\$ (1,103,274)	\$ (1,103,274)
Payroll							
Property Management	\$ (119,405)	\$ (122,987)	\$ (126,677)	\$ (130,477)	\$ (134,392)	\$ (138,423)	\$ (142,576)
Staff, Short-term Rentals	\$ (214,929)	\$ (221,377)	\$ (228,019)	\$ (234,859)	\$ (241,905)	\$ (249,162)	\$ (256,637)
Total Payroll	\$ (334,335)	\$ (344,365)	\$ (354,696)	\$ (365,336)	\$ (376,297)	\$ (387,585)	\$ (399,213)
Overhead	\$ (100,300)	\$ (103,309)	\$ (106,409)	\$ (109,601)	\$ (112,889)	\$ (116,276)	\$ (119,764)
Goods and Services, Short-term Rentals	\$ (33,785)	\$ (34,461)	\$ (35,150)	\$ (35,853)	\$ (36,570)	\$ (37,301)	\$ (38,047)
Transient Accommodations Tax	\$ (74,546)	\$ (74,546)	\$ (74,546)	\$ (74,546)	\$ (86,419)	\$ (86,419)	\$ (86,419)
Excise Tax	\$ (87,808)	\$ (87,808)	\$ (87,808)	\$ (87,808)	\$ (101,793)	\$ (101,793)	\$ (101,793)
Total Expenditures	\$ (1,582,467)	\$ (1,596,182)	\$ (1,610,302)	\$ (1,624,838)	\$ (1,817,242)	\$ (1,832,649)	\$ (1,848,511)
<b>Net Revenues</b>	\$ 687,098	\$ 673,384	\$ 659,264	\$ 644,728	\$ 813,807	\$ 798,400	\$ 782,538
<b>Present Value of Net Revenues</b>							
<b>State Finances</b>							
<b>Revenues</b>							
Lease Payments to State	\$ 951,694	\$ 951,694	\$ 951,694	\$ 951,694	\$ 1,103,274	\$ 1,103,274	\$ 1,103,274
TAT, State Share	\$ 41,149	\$ 41,149	\$ 41,149	\$ 41,149	\$ 47,703	\$ 47,703	\$ 47,703
Excise Tax	\$ 87,808	\$ 87,808	\$ 87,808	\$ 87,808	\$ 101,793	\$ 101,793	\$ 101,793
Total Revenues	\$ 1,080,651	\$ 1,080,651	\$ 1,080,651	\$ 1,080,651	\$ 1,252,771	\$ 1,252,771	\$ 1,252,771
<b>Expenditures</b>							
Property Management	\$ (23,881)	\$ (24,597)	\$ (25,335)	\$ (26,095)	\$ (26,878)	\$ (27,685)	\$ (28,515)
Overhead	\$ (9,552)	\$ (9,839)	\$ (10,134)	\$ (10,438)	\$ (10,751)	\$ (11,074)	\$ (11,406)
Total Expenditures	\$ (33,433)	\$ (34,436)	\$ (35,470)	\$ (36,534)	\$ (37,630)	\$ (38,759)	\$ (39,921)
<b>Net Revenues</b>	\$ 1,047,218	\$ 1,046,215	\$ 1,045,181	\$ 1,044,117	\$ 1,215,141	\$ 1,214,012	\$ 1,212,849
<b>Present Value of Net Revenues</b>							



**Table 6. Private Management  
Rentals & Short Leases (Option 4)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
<b>Management Company Finances</b>							
<b>Revenues</b>							
Short-term Rentals	\$ 1,191,987	\$ 1,191,987	\$ 1,381,839	\$ 1,381,839	\$ 1,381,839	\$ 1,381,839	\$ 1,381,839
Long-term Leases	\$ 1,250,850	\$ 1,250,850	\$ 1,450,078	\$ 1,450,078	\$ 1,450,078	\$ 1,450,078	\$ 1,450,078
TAT	\$ 86,419	\$ 86,419	\$ 100,183	\$ 100,183	\$ 100,183	\$ 100,183	\$ 100,183
Excise Tax	\$ 101,793	\$ 101,793	\$ 118,006	\$ 118,006	\$ 118,006	\$ 118,006	\$ 118,006
Total Revenues	\$ 2,631,049	\$ 2,631,049	\$ 3,050,107	\$ 3,050,107	\$ 3,050,107	\$ 3,050,107	\$ 3,050,107
<b>Expenditures</b>							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Total, Initial Improvements							
Subsequent Improvements		\$ (403,761)					
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals							
Cabins Now in Good Condition	\$ (170,454)	\$ (170,454)	\$ (197,603)	\$ (197,603)	\$ (197,603)	\$ (197,603)	\$ (197,603)
Cabins Now in Moderate Condition	\$ (119,596)	\$ (119,596)	\$ (138,645)	\$ (138,645)	\$ (138,645)	\$ (138,645)	\$ (138,645)
Cabins Now in Poor Condition	\$ (89,399)	\$ (89,399)	\$ (103,638)	\$ (103,638)	\$ (103,638)	\$ (103,638)	\$ (103,638)
Long-term Leases							
Cabins Now in Good Condition	\$ (462,147)	\$ (462,147)	\$ (535,756)	\$ (535,756)	\$ (535,756)	\$ (535,756)	\$ (535,756)
Cabins Now in Moderate Condition	\$ (102,069)	\$ (102,069)	\$ (118,326)	\$ (118,326)	\$ (118,326)	\$ (118,326)	\$ (118,326)
Cabins Now in Poor Condition	\$ (159,608)	\$ (159,608)	\$ (185,030)	\$ (185,030)	\$ (185,030)	\$ (185,030)	\$ (185,030)
Total Lease Payments to State	\$ (1,103,274)	\$ (1,103,274)	\$ (1,278,997)	\$ (1,278,997)	\$ (1,278,997)	\$ (1,278,997)	\$ (1,278,997)
Payroll							
Property Management	\$ (146,853)	\$ (151,259)	\$ (155,797)	\$ (160,471)	\$ (165,285)	\$ (170,243)	\$ (175,351)
Staff, Short-term Rentals	\$ (264,336)	\$ (272,266)	\$ (280,434)	\$ (288,847)	\$ (297,513)	\$ (306,438)	\$ (315,631)
Total Payroll	\$ (411,189)	\$ (423,525)	\$ (436,231)	\$ (449,318)	\$ (462,797)	\$ (476,681)	\$ (490,982)
Overhead	\$ (123,357)	\$ (127,058)	\$ (130,869)	\$ (134,795)	\$ (138,839)	\$ (143,004)	\$ (147,295)
Goods and Services, Short-term Rentals	\$ (38,808)	\$ (39,584)	\$ (40,376)	\$ (41,184)	\$ (42,007)	\$ (42,847)	\$ (43,704)
Transient Accommodations Tax	\$ (86,419)	\$ (86,419)	\$ (100,183)	\$ (100,183)	\$ (100,183)	\$ (100,183)	\$ (100,183)
Excise Tax	\$ (101,793)	\$ (101,793)	\$ (118,006)	\$ (118,006)	\$ (118,006)	\$ (118,006)	\$ (118,006)
Total Expenditures	\$ (1,864,841)	\$ (1,881,653)	\$ (2,104,663)	\$ (2,122,483)	\$ (2,140,831)	\$ (2,159,720)	\$ (2,179,167)
<b>Net Revenues</b>	\$ 766,208	\$ 749,395	\$ 945,444	\$ 927,623	\$ 909,276	\$ 890,387	\$ 870,939
<b>Present Value of Net Revenues</b>							
<b>State Finances</b>							
<b>Revenues</b>							
Lease Payments to State	\$ 1,103,274	\$ 1,103,274	\$ 1,278,997	\$ 1,278,997	\$ 1,278,997	\$ 1,278,997	\$ 1,278,997
TAT, State Share	\$ 47,703	\$ 47,703	\$ 55,301	\$ 55,301	\$ 55,301	\$ 55,301	\$ 55,301
Excise Tax	\$ 101,793	\$ 101,793	\$ 118,006	\$ 118,006	\$ 118,006	\$ 118,006	\$ 118,006
Total Revenues	\$ 1,252,771	\$ 1,252,771	\$ 1,452,305	\$ 1,452,305	\$ 1,452,305	\$ 1,452,305	\$ 1,452,305
<b>Expenditures</b>							
Property Management	\$ (29,371)	\$ (30,252)	\$ (31,159)	\$ (32,094)	\$ (33,057)	\$ (34,049)	\$ (35,070)
Overhead	\$ (11,748)	\$ (12,101)	\$ (12,464)	\$ (12,838)	\$ (13,223)	\$ (13,619)	\$ (14,028)
Total Expenditures	\$ (41,119)	\$ (42,353)	\$ (43,623)	\$ (44,932)	\$ (46,280)	\$ (47,668)	\$ (49,098)
<b>Net Revenues</b>	\$ 1,211,652	\$ 1,210,418	\$ 1,408,681	\$ 1,407,373	\$ 1,406,025	\$ 1,404,636	\$ 1,403,206
<b>Present Value of Net Revenues</b>							